

**DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY**

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June 14, 2010

John Nakama
1800GotJunk? (Encino EcoLogical LLC)
7223 Canoga Avenue
Canoga Park, CA 91303

RE: FINAL AUDIT REPORT – 1800GOTJUNK? (ENCINO
ECOLOGICAL LLC) CEWID 102469

Dear Mr. Nakama:

Enclosed is the final audit report of 1800GotJunk? (Encino EcoLogical LLC), regarding the Covered Electronic Waste Recovery and Recycling Program. The audit was planned and performed to determine conformance with the regulations resulting from the Electronic Waste Recycling Act of 2003. The period of review for this audit was January 1, 2008 through December 31, 2008.

The audit disclosed the following findings:

- Missing Certified Weight Tickets
- Estimated Weights Missing on Collection Logs
- CalRecycle Form 197 Not Completed Upon Transfer
- Source Documentation Not Accompanying CEW Transfer
- Source Verification Not Established
- Inaccurate Net Cost Report
- Unallowable Revenue Included in Net Cost Report

The response by 1800GotJunk? (Encino EcoLogical LLC) to the draft audit report on March 19, 2010, along with the evaluation of the response is included in this final report. The response did address your corrective action to the findings.

(Over)



John Nakama
June 14, 2010
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A copy of this letter is being forwarded to the Covered Electronic Waste Recovery and Recycling Program for information and any necessary action, if required.

Please contact Ernesto Espinoza, Associate Management Auditor, at (916) 341-7369 or ernesto.espinoza@calrecycle.ca.gov with any questions regarding this report.

Sincerely,



Susan R. Villa, Chief
Fiscal Services Branch
Administration and Finance Division

Enclosure

cc: Jeff Hunts, Manager, E-Waste Branch, CalRecycle
Ernesto Espinoza, Auditor, Audits and Evaluations Unit, CalRecycle
CalRecycle Audits and Evaluations Unit File

(Over)

AN ELECTRONIC WASTE AUDIT

1800GotJunk? (Encino EcoLogical LLC)

Electronic Waste Recovery and Recycling Account

Final Audit Report

Recycler Payment Claim: 1283

**For the Period January 1, 2008
Through December 31, 2008**

**Prepared By:
Department of Resources Recycling and Recovery
Audits and Evaluations Unit**

March 2010

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AUDIT REPORT

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Audit Report
1800GotJunk? (Encino EcoLogical LLC) (CEWID 102469)
Covered Electronic Waste Recovery and Recycling Program

Audit Start Date: October 5, 2009

Physical Address: 7223 Canoga Avenue
Canoga Park, CA 91303

Contact Person: John Nakama

Phone Number: (818) 645-8100

E-Mail Address: John.nakama@1800gotjunk.com

Auditor: Ernesto Espinoza

SUMMARY

The Department of Resources Recycling and Recovery (CalRecycle) processed and paid a claim, in the amount of \$20,680.14, submitted by Amandi Services; an electronic waste recycler. The payments issued by CalRecycle are funded by the Electronic Waste Recovery and Recycling Account.

Audits and Evaluations Unit auditor, Ernesto Espinoza, reviewed records related to the appropriateness of expenditures of Electronic Waste Recovery and Recycling Account, for the period of January 1, 2008 through December 31, 2008.

BACKGROUND

1-800GotJunk? was started in 1989 by a university student who bought a used pickup truck and started "The Rubbish Boys", a junk removal service. After a few successful years the name was changed to 1-800GotJunk? and more trucks were added. The business has enjoyed exponential growth; there are now 300 locations across three countries.

1800GotJunk? is a franchise which picks up items for residential and businesses. They remove items customers do not need such as old furniture, appliances and electronics to yard waste and renovation debris.

OBJECTIVE, SCOPE, AND METHODOLOGY

The audit was conducted to determine whether 1-800GotJunk? complied with CEW reporting, recordkeeping, and payment requirements, as specified by the California

Public Resources Code Section 42460, et seq., and the California Code of Regulations (CCR), Title 14, Chapter 8.2.

The audit scope included, but was not limited to, an evaluation of the integrity of electronic waste recycling claims submitted to CalRecycle for payment, and an assessment of operational and regulatory compliance by the recycler.

The audit was conducted in accordance with *Government Auditing Standards*. The standards require that the audit was planned and performed to obtain sufficient and appropriate evidence to provide a reasonable basis for the finding(s), if any, and conclusion based on the audit objective.

CONCLUSION

The following audit findings were identified:

FINDING 1: Missing Certified Weight Tickets

CONDITION:

1800GotJunk? does not have copies of the Certified Weight ticket, and is not in compliance with Electronic Waste Recovery Regulation 18660.20 (j) (2) (3).

CRITERIA:

PSDS, Inc. is not in Compliance with Title 14 CCR Section 18660.20 (j) (2) (3). Section 18660.20 (j) (2) states, "Records of transfers by load to, and recovery payments from, approved recycler, including: (A) Inventory records that document the relationship between the CEWs received from all sources and the CEWs transferred to the approved recycler or to other handlers. (B) Signed and dated receipts showing the number and weight of CEWs transferred. The approved collector shall identify and record each approved recycler using the name and identification number from the recycler's proof of approval."

Section 18660.20 (j) (3) states, "Records on the costs, revenues and net costs associated with the collection, transportation and disposition of all CEWs handled as specified in Section 18660.10 of this Chapter."

RECOMMENDATION:

1800GotJunk? needs to obtain and retain the Certified Weight Tickets from the recycler.

FINDING 2: Estimated Weights Missing on Collection Logs

CONDITION:

1800GotJunk? is not putting the estimated weight on the Collection Logs and is not in compliance with Electronic Waste Recovery Regulation 18660.20(j) (1) (A).

CRITERIA:

1800GotJunk? is not in Compliance with Title 14 CCR Section 18660.20 (j) (1) (A). Section 18660.20(j) (1) (A) states, "For each collection activity or event that results in CEW transferred to the approved collector, a brief written description of the collection activity or event, including the type of California sources targeted for collection, the date and location the activity or event occurred, the number of CEW collected, and a estimate of the weight of CEW collected."

RECOMMENDATION:

1800GotJunk? should list the estimated weights on the Collection Logs.

FINDING 3: CIWMB Form 197 Not Completed Upon Transfer

CONDITION:

1800GotJunk? is not completing CIWMB 197 form (Covered Electronic Waste Transfer Receipt) but having the recycler complete the form, and is not in compliance with Electronic Waste Recovery Regulation 18660.6 (e) (7) and 18660.20 (h).

CRITERIA:

1800GotJunk? is not in Compliance with Title 14 CCR Section 18660.6 (e) (7) and 18660.20 (h).

Section 18660.6 (e) (7) states, "An approved collector is entitled for recovery payments only for CEWs transferred to the recycler that are accompanied by applicable source documentation pursuant to Section 18660.20 (h) of this Chapter."

Section 18660.20 (h) states, "An approved collector shall provide to any approved collector or approved recycle to whom it transfers CEWs information on the origin (California or Non-California) and cancellation status of CEWs transferred, including but not limited to the following: (1) Signed statement listing the sources(s) of the transferred CEWs as recorded pursuant to subsection (j) of this section. (2) A copy(ies) of the applicable portions of the collection log specified in subsection (j) of this section that describe the collection activities that resulted in the transferred CEWs. (3) Written description of any activity, such as storage, repair, refurbishment, resale, reuse,

transfer, packaging and/or consolidation, that explains any discrepancy between the CEWs transferred and the CEWs collected as recorded in a log specified in subsection (j) of this section. (4) A copy of any applicable proof of designation specified in subsection (k) of this section associated with CEWs collected while acting as a designated approved collector for a local government.”

RECOMMENDATION:

1800GotJunk? needs to complete CIWMB 197 form (Covered Electronic Waste Transfer Receipt) when transferring CEWs to the recycler.

FINDING 4: Source Documentation Not Accompanying CEW Transfer

CONDITION:

The Collection Log is not accompanying the load when the transfer of the load is made from 1800GotJunk? to Eco International. 1800GotJunk? is not in compliance with Electronic Waste Recovery Regulation 18660.6 (e) (7).

CRITERIA:

Title 14 CCR Section 18660.6 (e) (7) states, “An approved collector is entitled for recovery payments only for CEWs transferred to the recycler that are accompanied by applicable source documentation pursuant to Section 18660.20(h) of this Chapter.

RECOMMENDATION:

1800GotJunk? needs to send the collections Logs when they transfer CEW to ECO International.

FINDING 5: Source Verification Not Established

CONDITION:

In the review of the Collection Logs the auditor determined 1800GotJunk? is not verifying if the E-Waste 1800GotJunk? collects is from a California source. 1800GotJunk? appears not to be in compliance with the Electronic Waste Recovery Regulation 18660.20 (c) (1) (2) (3) (4) (5), 18660.20 (d), and 18660.20 (h) (2).

CRITERIA:

1800GotJunk? is not in Compliance with Title 14 CCR Section 18660.20 (c) (1) (2) (3) (4) (5), 18660.20 (d) and 18660.20 (h) (2).

Section 18660.20 (c) (1) (2) (3) (4) (5) states, “An approved collector shall make reasonable efforts to determine if CEWs it collects are from California Sources or from

non-California sources and shall keep track of those materials separately. Reasonable efforts may include any of the following, but not limited to (1) Posting signs and asking Californian sources. (2) Conducting spot checks and/or surveys. (3) Checking for a valid California identification of a person, a California license plate on a vehicle, and/or a bill of lading showing a California origin. (4) Requiring additional documentation from California sources or collectors delivering large numbers of CEWs. (5) Instituting measures to prevent CEWs from being dripped-off anonymously or illegally disposed at the approved collector's facilities or operations."

Section 18660.20 (d) states, "An approved collector shall not request recovery payment for non-California CEWs.

Section 18660.20 (h) (2) states, "A copy(ies) of the applicable portions of the collection log specified in subsection (j) of this section that describe the collection activities that resulted in the transferred CEWs.

RECOMMENDATION:

1800GotJunk? needs to make a reasonable effort to determine if CEWs it collects are from a California source.

FINDING 6: Inaccurate Net Cost Report

CONDITION:

The auditor reviewed the Net Cost Report and found multiple errors on the report. The report was completed incorrectly and CIWMB cannot rely on the data submitted.

1800GotJunk? is not in compliance with the Electronic Waste Recovery Regulation 18660.10 (b) (d) governing the administration of the Electronic Waste Recovery and Recycling Act.

CRITERIA:

1800GotJunk? is not in Compliance with Title 14 CCR Section 18660.10 (b) (d).

Section 18660.10 (b) states, "An approved collector or an approved recycler shall maintain records and provide information for use by the CIWMB in the update on their actual net costs to operate."

Section 18660.10 (D) states, "An approved collector and approved recycler shall submit to the CIWMB a report on the net costs of recovery and/or recycling for the prior calendar year."

RECOMMENDATION:

1800GotJunk? needs to obtain an understanding on how to complete the Net Cost Report correctly.

FINDING 7: Unallowable Revenues Included In Net Cost Report

CONDITION:

It was determined the revenue on the Net Cost Report consisted of income from the recyclers which is not allowed per the regulations. 1800Got junk? is not in compliance with the Electronic Waste Recovery Regulation 18660.10 (c) (1) governing the administration of the Electronic Waste Recovery and Recycling Act.

CRITERIA:

Title 14 CCR Section 18660.10(c) (1) which states, "Revenues in relation to CEW recovery or recycling, other than the payments required pursuant to this chapter."

RECOMMENDATION:

1800GotJunk? needs to obtain an understanding on how to complete the Net Cost Report correctly.

RESTRICTED USE

This report is intended for the information and use of CalRecycle and Eco International management. However, this report is a matter of public record and distribution is not limited.

RESPONSE TO AUDIT REPORT

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Ernesto Espinoza
Associate Management Auditor
California Integrated Waste Management Board
PO box 4025 MS 19A
Sacramento, Ca 95812-4025

19 March 2010

RE: Draft Audit Report 1800GOTJUNK? (Encino Ecological LLC) CEWID 102469

Dear Mr. Espinoza,

Thank you once again for the additional time for responding to your original letter dated October 14, 2009.

The following actions have been taken:

Condition 1: Have requested certified weight tickets from recycler and will file with corresponding invoices.

Condition 2: ecoLogical will use the ave weight of 48lbs until we acquire a scale.

Condition 3: Have printed out several copies, and we will start to complete these forms from this point on. We will file our copies with the appropriate invoice.

Condition 4. we will start attaching the collection log to each pick up, the logs will be updated with each pick-up or drop off.

Condition 5. Our truck team members have been informed of this issue and are now asking customers to verify that items picked up are from California. Just fyi, all of our jobs where we go to pick up e-waste are within our service territory, which lies entirely within Los Angeles County, however the truck teams will ask for verification on these jobs. When customers drop off their e-waste, we will ask for verification.

Conditions 6 & 7: We will gain a better understanding of how to correctly complete the net cost report through notes obtained from auditor Mr. Espinoza's visit and also through available instructions.

Thank you for the opportunity to correct our inconsistencies with the regulations. We shall put in the required effort to meet all related regulation from this point forward.

Sincerely,



John Nakama
Owner
EcoLogical LLC
1-800-GOT-JUNK? – Encino

EVALUATION OF RESPONSE TO AUDIT REPORT

During the course of the audit the following findings were noted:

Finding 1: Missing Certified Weight Tickets

The auditor informed 1800GotJunk? (Encino EcoLogical LLC) that copies of the Certified Weight tickets for CEW were not available.

The response by 1800GotJunk? (Encino EcoLogical LLC) stated, "Have requested certified weight tickets from recycler and will file with corresponding invoices"

Auditor's Reply

Finding 1 has been resolved based on the response above.

Finding 2: Estimated Weights Missing on Collection Logs

1800GotJunk? (Encino EcoLogical LLC) did not enter the estimated weights on the Collection Logs.

The response by 1800GotJunk? (Encino EcoLogical LLC) stated, "Ecological will use the average weight of 48 lbs until we acquire a scale."

Auditor's Reply

Finding 2 has been resolved based on the response above.

FINDING 3: CalRecycle Form 197 Not Completed Upon Transfer

1800GotJunk? (Encino EcoLogical LLC) did not complete CalRecycle Form 197 (Covered Electronic Waste Transfer Receipt) upon transfer completion of CEW to the recycler.

The response by 1800GotJunk? (Encino EcoLogical LLC) stated, "Have printed out several copies, and we will start to complete these forms from this point on. We will file our copies with the appropriate invoice."

Auditor's Reply

Finding 3 has been resolved based on the response above.

FINDING 4: Source Documentation Not Accompanying CEW Transfers

The Collection Log did not accompany the CEW load during the load transfer to the recycler.

The response by 1800GotJunk? (Encino EcoLogical LLC) stated, "We will start attaching the collection log to each pick up, and the logs will be updated with each pick-up or drop off."

Auditor's Reply

Finding 4 has been resolved based on the response above.

FINDING 5: Source Verification Not Established

1800GotJunk? (Encino EcoLogical LLC) does not verify if the E-Waste collected is from a California source.

The response by 1800GotJunk? (Encino EcoLogical LLC) stated, "Our truck team members have been informed of this issue and are now asking customers to verify that items picked up are from California. When customers drop off their e-waste, we will ask for verification."

Auditor's Reply

Finding 5 has been resolved based on the response above.

FINDING 6: Inaccurate Net Cost Report

The Net Cost Report prepared by 1800GotJunk? was not completed correctly, and considered inaccurate.

The response by 1800GotJunk? (Encino EcoLogical LLC) stated, "We will gain a better understanding of how to correctly complete the net cost report through notes obtained from auditor Mr. Espinoza's visit and also through available instructions."

Auditor's Reply

Finding 6 has been resolve based on the response above.

FINDING 7: Unallowable Revenue Included In Net Cost Report

1800GotJunk? included recycler income in the revenue reported on the Net Cost Report. The response from 1800GotJunk? (Encino EcoLogical LLC) stated, "We will gain a better understanding of how to correctly complete the net cost report through notes obtained from auditor Mr. Espinoza's visit and also through available instructions."

Auditor's Reply

Finding 7 has been resolved based on the response above.

